

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE: November 25, 2013

TO: Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors

FROM: Teig Whaley-Smith, Economic Development Director
Department of Administrative Services

SUBJECT: 2014 Foreclosure Mitigation Initiative

POLICY

The Director of the Economic Development, Department of Administrative Services (DAS) is requesting that the County Board approve a resolution to create a 2014 Foreclosure Mitigation Initiative.

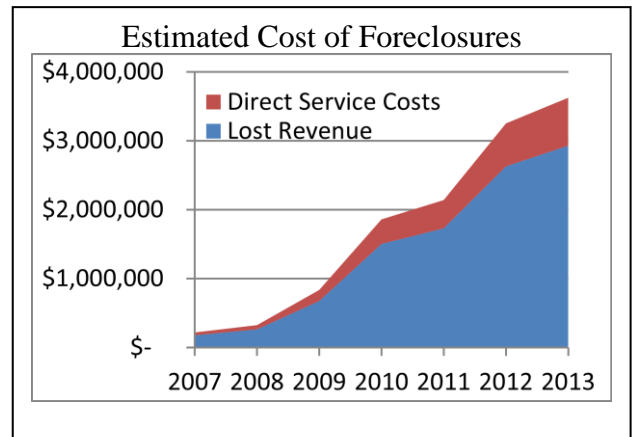
BACKGROUND

Foreclosures Cost Tax Payers Millions

It is estimated that foreclosures in Milwaukee County will cost tax payers more than \$3,600,000 in lost revenue and direct costs in 2014.¹ The inventory has grown by 1,500% since 2007. Current resources allocated to the problem can only address about 50% of the foreclosed properties.

Primary problem is Rehab Cost Gap

The primary reason that the market is not taking care of these problems is that the cost of rehab is often 150% of the value of the real estate when completed.² For example, if a property was purchased for \$5,000 and required \$70,000 to repair, the total cost would be \$75,000, but would only be worth \$50,000, leaving a \$25,000 gap on the project. Unless this gap is addressed, foreclosures will continue to be off of the tax rolls.



Return on Investment Illustration	
Example Home - 504 W. Burleigh	
Existing Assessment	\$ -
Neighboring Assessment	\$ 37,900.00
Estimated Tax Loss	\$ 1,135.11
Present Value (30 year, 3%)	\$ 22,248.56
Example Home - 2422 S 10th St.	
Existing Assessment	\$ -
Neighboring Assessment	\$ 89,200.00
Estimated Tax Loss	\$ 2,671.54
Present Value (30 year, 3%)	\$ 52,363.36

¹ Graph prepared from data contained in the following: City of Milwaukee, "Strong Neighborhood Investment Plan," (October 8, 2013) at 8, 13, available at <https://milwaukee.legistar.com/LegislationDetail.aspx?ID=1465317&GUID=DC65AC40-4896-4690-B1F5-D3E14BA3DFDF&Options=ID|Text|&Search=130517>

² Id. at 15

Serving County Clients

More than 90% of the foreclosures in Milwaukee County are in areas that Milwaukee County is not spending any housing resources because of CDBG and HOME fund rules. Proceeds from land sales do not have this same restriction.

\$837,693.75 of Economic Development Funds would be targeted towards County Housing Division clients and referrals from other County Departments. Homeowners and landlords would be eligible for a \$20,000 per unit, 0%, 15 year term loan for rehab expenses related to a foreclosure.³ The program would require a 50% match by the recipient.

Expected Economic Development Outcomes

1. Return on Investment. The property tax revenues collected will be greater than the loan amount over a 15 year period.
2. Workforce Development. Participants must utilize apprenticeship or workforce training program for a portion of the project costs (i.e. Milwaukee Community Service Corps, Northcott, Milwaukee Builds, Great Lakes CCC, etc.).
3. Jobs. 76 construction jobs will be created, with approximately 20 being related to workforce development.

Performance Measures

1. Tax Base. Tax base generated will be evaluated compared to tax base in areas where the resource was not utilized.
2. Workforce Development. Number of workforce training participants will be tracked using participant level data.

RECOMMENDATION

The Director of the Economic Development, Department of Administrative Services (DAS) recommends authorization for a Foreclosure Mitigation Initiative to be funded through the 2014 Economic Development Fund, to be administered jointly by the Economic Development Department and the Housing Division of Milwaukee County

Teig Whaley-Smith
Economic Development Director

cc: Chris Abele, County Executive
Supervisor Patricia Jursik, Chair, Economic & Community Development
Committee (ECD)
Supervisor David Bowen, Vice Chair, ECD Committee
Supervisor Willie Johnson, Jr., ECD Committee

³ A recent survey of City of Milwaukee foreclosed properties found that the average expected rehab cost was \$42,611. Consequently, the maximum loan per unit was set at approximately 50% of the average.

Supervisor Michael Mayo, Sr., ECD Committee
Supervisor James (Luigi) Schmitt, ECD Committee
Supervisor Steve F. Taylor, ECD Committee
Supervisor Khalif Rainey ECD Committee
Nelson Soler, County Board Research Analyst
Hector Colon, Director, Department of Health and Human Services
James Mathy, Administrator, Housing Division
Don Tyler, Director, Department of Administrative Services
Julie Esch, Director of Operations, Department of Administrative Services
Amber Moreen, Chief of Staff, Office of the County Executive
Raisa Koltun, Director of Legislative Affairs, Office of the County Executive